

Teacher Lesson Plan

Theme 6: Understanding the IRS
Lesson 2: Your First Job

Time Frame

One to four class periods

Curriculum Area(s)

- Civics/Government
- Economics
- Family and Consumer Sciences
- Technology

Purpose

To help students understand that they are responsible for paying income taxes through withholding as they earn income and that it is important that they keep accurate records of their earnings and expenses

Objectives

Students will be able to

- discuss the importance of Form W-4.
- identify ways to keep accurate financial records.

Materials

Online

Student Lesson—Your First Job

Activity 1: Form W-4

Activity 2: Financial Record Keeping

Activity 3: Tax Your Memory

Activity 4: Braintaxer

Assessment—Your First Job

Assessment Solutions—Your First Job

Print (PDF)

Info Sheet—Financial Record-Keeping Tips

Worksheet—Job Responsibilities

Worksheet Solutions—Job Responsibilities

Assessment—Your First Job

Assessment Solutions—Your First Job

Complete Lesson Pack

Web Links

IRS Forms Page http://www.irs.gov/forms_pubs/forms.html

Online Game Show http://www.irs.gov/tax_edu/brain_taxer/index.html

IRS Tax Interactive <http://www.irs.gov/taxi>

Form W-4 http://www.irs.gov/pub/irs-pdf/fw4_02.pdf

Background

U.S. citizens and residents generally have to pay tax on their **earned income** based on ability to pay. Federal income tax is collected on a “pay-as-you-go,” or “pay-as-you-earn” basis.

Employees usually have taxes taken out of, or withheld from, each paycheck that is subject to tax. Some people are **exempt** from tax **withholding**.

Employees provide information on Form W-4 so that their employers can determine how much should be withheld from their wages. Employees are expected to complete Form W-4 accurately and honestly.

By January 31 of each year, employers must give employees copies of Form W-2 that show how much employees earned in the previous year and how much was withheld. Employees should check this form for accuracy and attach a copy to their tax returns. Even people who do not owe any taxes should file a return if they had any federal income taxes withheld from their pay. To have withheld taxes refunded, people must file a return.

It is essential to keep accurate **financial records** after entering the workforce. Two basic systems for record keeping are on paper and on a computer.

Key Terms

earned income—This includes wages, salaries, tips, and self-employment earnings.

exempt (from withholding)—Free from withholding of federal income tax. A person must meet certain income, tax liability, and dependency criteria. This does not exempt a person from other kinds of tax withholding, such as the Social Security tax.

financial records—Spending and income records and items to keep for tax purposes, including paycheck stubs, statements of interest or dividends earned, and records of gifts, tips, and bonuses. Spending records include canceled checks, cash register receipts, credit card statements, and rent receipts.

withholding (“pay-as-you-earn” taxation)—Money, for example, that employers withhold from employees’ paychecks. This money is deposited for the government. (It will be credited against the employees’ tax liability when they file their returns.) Employers withhold money for federal income taxes, Social Security taxes, and state and local income taxes in some states and localities.

Opening the Lesson

Explain to students that the U.S. income tax system is built on the idea of “voluntary compliance.” It is the responsibility of the taxpayer to keep the necessary records, file a return on time, pay any required taxes, and meet other requirements of the tax law. Taxpayers voluntarily follow the steps the tax system lays out. Not doing so can result in penalties. Ask students:

- How do most taxpayers pay their income taxes?

Most people pay through the “pay-as-you-go” system.

Make sure students understand that most people’s income is from salary or wages earned in a job. In the “pay-as-you-go” method, the tax paid as income is earned or received during the year. For example, an employer withholds tax on the basis of wages paid and information the employee provides on Form W-4. This process is called tax withholding.

Discuss with students the advantages of withholding for taxpayers. Help them understand that without tax withholding, many people would find it difficult to save enough money to pay their income taxes all at once. Ask students what the advantages of withholding are for the government. Explain that government services might be disrupted and undependable if they were not funded on a continuous basis.

Developing the Lesson

Ask students whether they are familiar with Form W-4. If possible, visit the [IRS Forms Page](http://www.irs.gov/forms_pubs/forms.html) http://www.irs.gov/forms_pubs/forms.html and print a copy of Form W-4 to show students.

Ask students:

- Why do employers need a Form W-4 from each employee?

The form helps the employer determine how much to withhold from the employee’s paycheck.

Discuss what could happen if students write their Social Security number incorrectly, use a nickname or name that is different from the one on their Social Security card, or make a mistake on their address. Point out that incorrect information might delay or prevent a tax refund and that students might not receive proper credit for Social Security taxes they have paid.

Point out that Form W-4 reminds employees to keep the worksheet part of their Form W-4 for their financial records. Other items people should keep for their records include paycheck stubs, statements of interest or dividends earned, and records of gifts, tips, and bonuses. Spending records include canceled checks, cash register receipts, credit card statements, and rent receipts.

Advise students to create a simple system for recording their finances. When income is small, an envelope system works well. Records can be stored in envelopes that are marked by months, by jobs, or by expenses—such as car payments. As income and expenses increase, some type of formal record sheet is necessary. Explain that students could use budget books, computer programs, or even a notebook with ruled paper marked into columns. Whatever system they use, they should store their records in one particular desk drawer, a filing cabinet, or a special box.

Online Activities

Direct students to [Student Lesson—Your First Job](#). Have students complete one or more of the following activities:

- [Activity 1: Form W-4](#)—Find the forms you’ll need on the IRS Web site.
- [Activity 2: Financial Record Keeping](#)—Determine the best record-keeping option.
- [Activity 3: Tax Your Memory](#)—Test your tax IQ.
- [Activity 4: Braintaxer](#)—Play the IRS online game show.

Print Activity

Print [Worksheet—Job Responsibilities](#) and distribute it to students.

[Worksheet Solutions—Job Responsibilities](#)

Classroom Activity

Have students work in groups to create the ultimate student record-keeping system. Use [Info Sheet—Financial Record-Keeping Tips](#) as a guide. Encourage students to use items that can be found at home, such as shoeboxes, envelopes, or folders. Have each group present its creation to the class.

Concluding the Lesson

Make sure students understand the purpose of IRS Form W-4 and the importance of filling it out correctly. Remind students to keep accurate financial records.

Online Assessment

Direct students to complete [Assessment—Your First Job](#).

[Assessment Solutions—Your First Job](#)

Print Assessment

Print [Assessment—Your First Job](#) and have students complete it on paper.

[Assessment Solutions—Your First Job](#)

Links

Link to [Hows of Taxes: Module 1—Payroll Taxes and Federal Income Tax Withholding](#) for a guide to filling out Form W-4. See [Theme 4, Lesson 1](#) for more information on “pay-as-you-go” withholding.